

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

IN RE: WOONSOCKET WATER DIVISION) DOCKET NO. 3512
ABBREVIATED RATE FILING)

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between Woonsocket Water Division ("WWD") and the Division of Public Utilities and Carriers ("Division" and referred to collectively with WWD as the "Parties") in order to resolve the issues pending in the above-captioned proceeding. The Parties jointly request approval of this Settlement Agreement by the Rhode Island Public Utilities Commission ("Commission").

I. RECITALS

Pursuant to R.I.G.L. § 39-3-11, on March 27, 2003, WWD filed with the Commission an Abbreviated Filing For Rate Change. In the initial filing, WWD requested approval of new rates designed to collect additional revenues in a 12-month period equal to \$1,093,451 over the current rates and charges, or an increase of approximately 24.9%. The increase was designed to apply equally to all customer classes. On April 8, 2003, WWD filed a motion requesting that certain accounts that it included in its filing and whose increase was less than 10% be allowed to be included in the case for consideration. Subsequent to this filing, the Division and WWD undertook discussions regarding the accounts whose increase would be less than 10%. As a result of these discussions, WWD and the Division agreed that the following accounts should be removed from the Abbreviated Filing: Telephone, Education/Training, Printing and Reproduction, Clothing and Shoes, Clothing Allowance, and City Services. Further, WWD and the Division agreed that Light and Power should remain in the Abbreviated Filing. On April 10, 2003, WWD filed an amendment to its motion explaining the agreement it reached with the Division. At a subsequent open meeting, the Commission approved WWD's amended motion. As a result, the initial Abbreviated Filing for Rate Change was modified to seek \$1,075,564 in additional revenues, a 24.52% rate increase over WWD's present rate revenue of \$4,386,677. The filed total net revenue requirement was \$5,462,241.

In response to WWD's filing, the Division conducted an investigation of WWD's proposed rate request through sets of data requests, by the aid of its public utilities rate analyst, John Bell, C.P.A. Mr. Bell examined the revenue requirement aspect of WWD's rate filing. The Division filed direct testimony recommending a revenue increase of \$631,630 or a 14.18% increase over present rates.

On August 6, 2003, WWD filed Rebuttal Testimony. Most significantly, the Rebuttal Testimony identified a fire that occurred at the ACS Industries Complex after the initial filing, that resulted in a further erosion of revenues. ACS Industries is located in Woonsocket and is a major customer of WWD.

After due consideration of the Parties' testimony, exhibits and other documentation included in the filings of WWD and the Division, the Parties have now agreed to a settlement which resolves all issues relating to WWD's Abbreviated Rate Filing. Schedules reflecting the agreed to Revenue Requirements, Comparison of Current and Proposed Rates and Proof of Revenues are attached hereto and marked as "Schedule 1", "Schedule 3" and "Schedule 4", respectively. Schedules 1, 3 and 4 are restated and incorporated in this Settlement Agreement by reference. The Parties believe that this settlement, as a whole, constitutes a just and reasonable resolution of the issues in this proceeding, and jointly request its approval by the Commission.

II. TERMS OF SETTLEMENT

1. The Parties agree to a net revenue requirement of \$5,307,221 which is an increase of \$970,596 or 22.38% over WWD's present rate revenues.¹ See Schedule 1.
2. The increase shall be applied to all WWD customer classes equally. The rate design changes that were made in Docket 2904 as the result of a full cost allocations study shall remain in effect.
3. The Parties agree to the Division's residential consumption figure of 1,146,250 HCF.

¹ Absent the ACS Industries fire, this revenue requirement would have been \$843,987 or 18.91% of present rate revenues.

The Parties agree to WWD's Commercial/Industrial consumption figure of 625,143 HCF, the known and measurable test year sales volumes adjusted for projected sales volumes losses associated with the fire at the ACS Industries Complex. Total rate year Revenues at current rates are settled at \$4,336,625.

4. WWD agrees to accept the Division's Rate Year Position as reflected in its Direct Testimony for Postage (\$11,699), Sewer Assessment (\$111,254), Light & Power (\$202,331), and IFR (\$825,000).

5. The Division agrees to accept WWD's Rate Year Position as reflected in its Rebuttal Testimony for Insurance (\$537,784), Permanent Services (\$1,079,581) and Rate Case Expense (\$20,000).

6. Funds within WWD's Rate Case Expense account shall be used to cover the cost of the notification concerning this rate case.

7. WWD's Rate Case Expense shall be recovered over 3 years at \$20,000 per year.

8. WWD's Operating Reserve shall be calculated based on 1.5% of WWD's total expenses (*i.e.*, the same method utilized by the Commission in Docket 2904).

9. The Parties agreed to a debt service level of \$837,688. Over the next 2 years WWD's debt service requirement for its recently closed Rhode Island Clean Water Finance Agency Loan is estimated at approximately \$320,000. To pay this anticipated increased level of debt service, the settlement contemplates increasing the \$762,688 level of debt service currently built into rates by \$75,000, resulting in a settlement amount of \$837,688. The additional funds required to pay the debt service on the Clean Water Finance Agency Loan will be obtained by using the \$158,000 currently in the Debt Service account and transferring \$50,000 from WWD's Rate Case Expense account to the Debt Service account.

10. The parties agree that the funding levels provided on Schedule 1 for chemicals, debt service, rate case expense, infrastructure replacement (IFR) and renewal and replacement will continue to be maintained in a separate interest bearing restricted receipt accounts.

11. All other accounts shall be funded at levels in the Rate Year as reflected in Schedule 1.

12. This Settlement Agreement is the product of negotiation and compromise. The making of this agreement establishes no principles or precedents. This agreement shall not be deemed to foreclose any party from making any contention in any future proceeding or investigation.

13. The acceptance of this agreement by the Commission shall not in any respect constitute a determination by the Commission as to the merits of any issue in any subsequent rate proceeding.

14. In the event that the Commission (i) rejects this Settlement Agreement, (ii) fails to accept this Settlement Agreement as filed, or (iii) accepts the Settlement Agreement subject to conditions unacceptable to any party hereto, then this Settlement Agreement shall be deemed withdrawn and shall be null and void in all respects.

15. The undersigned signatories hereby attest that each believes that the settlement is reasonable, in the public interest and in accordance with law and regulatory policy.

DIVISION OF PUBLIC UTILITIES
AND CARRIERS
By its attorney,

PATRICK C. LYNCH
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WOONSOCKET WATER DIVISION
By its attorney,

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REVENUE REQUIREMENTS

	Test Year - 6/30/02	Rate Year - 6/30/2004
Personnel Costs		
Permanent Services	\$893,457	\$1,079,581
Long Term Worker's Comp	0	\$0
Temporary Labor	15,191	\$15,191
Overtime Pay	142,182	\$156,699
Out Of Class Pay	901	\$993
Longevity Pay	25,409	\$39,923
Medical Buy Back	2,000	\$4,000
Sick Leave Reimbursement	16,718	\$16,718
Comp Time Reimbursement	501	\$501
Non-sick/Injury Bonus	1,500	\$1,500
Bonus for Course	14,500	\$19,155
Shift Differential	9,756	\$11,745
Subtotal	\$1,122,115	\$1,346,006
Maintenance & Servicing		
Postage	10,750	\$11,699
Telephone	36,152	\$36,152
Dues & Subscriptions	1,370	\$1,370
Advertising	2,942	\$2,942
Travel Within City	0	\$0
Travel Out of City	1,999	\$2,300
Education Training	9,553	\$9,553
Printing & Reproducing	10,827	\$10,827
General Maint. & Upkeep	62,866	\$62,866
Vehicle & Outside Equip. Upkeep	11,598	\$11,598
Maintenance - Office Equipment	2,228	\$2,228
Maintenance - Roads & Walks	77,679	\$150,686
Computer Software	1,081	\$1,081
Rental - Vehicles & Outside Equip.	0	\$0
Land Rental Charges	2,043	\$2,043
Other Rentals	1,500	\$1,500
Heating	10,675	\$10,675
Light & Power	202,331	\$202,331
Property & Fire Tax	138,124	\$167,698
Sewer Assessment	88,487	\$111,254
State Pollution Monitoring Prgm	16,917	\$16,917
Regulatory Assessments	25,290	\$25,290
Conservation Services	0	\$1,135
Police Details	8,423	\$8,423
Other Independent Service	10,729	\$7,029
Medical Exams	166	\$472
Audit Service	6,532	\$6,532
Engineering Service	61,943	\$61,943
Subtotal	\$802,205	\$926,543

REVENUE REQUIREMENTS

	Test Year - 6/30/02	Rate Year - 6/30/2004
Operating Supplies		
Office Supplies & Expenses	3,991	\$3,991
Gas & Diesel Fuel	9,202	\$15,000
Tires & Batteries	1,899	\$2,695
Chemicals For Water Supply	213,884	\$213,884
Tools & Implements	1,724	\$1,724
Cleaning & Housekeep. Supplies	2,937	\$2,937
Other Supplies	80,355	\$80,355
Lab Supplies	22,094	\$25,000
Clothing & Footwear - Crew	6,855	\$6,855
Medical Supplies	689	\$2,403
Clothing Allowance	3,467	\$3,467
Subtotal	\$347,097	\$358,311
General Charges		
Fiscal Certification	4,488	\$4,488
Pensions	0	\$26,786
FICA/Medicare Employer Cost	85,857	\$102,969
City Services Charge	265,022	\$265,022
Insurance - Vehicles	19,282	\$22,088
Insurance - Worker's Comp.	57,306	\$64,567
Insurance - Liability	69,457	\$80,145
Insurance - Group Life	5,528	\$6,225
Health Insurance	252,512	\$339,204
Dental Insurance	20,612	\$25,555
<i>Restricted Accounts</i>		
Renewal & Replacement Fund	200,000	\$150,000
Rate Case Expense	20,000	\$20,000
IFR	650,605	\$825,000
Chemicals - Net		\$0
Debt Service	919,241	\$837,688
Claims	4,693	\$4,693
Subtotal	\$2,574,603	\$2,774,430
	=====	=====
TOTAL EXPENSES	\$4,846,020	\$5,405,290
Plus Operating Reserve	15,703	\$81,079
Less Misc. Income		
New Services & Repairs	-64,194	-\$82,758
Misc. Income	0	\$0
Interest on Bills	-85,049	-\$85,049
Interest on Investments	-28,382	-\$11,341
Other	0	\$0
	=====	=====
Total Net Revenue Requirement	\$4,684,098	\$5,307,221

COMPARISON OF CURRENT AND PROPOSED RATES

		<u>Current</u>	<u>New</u>
Public Fire Protection			
	4 inch	\$77.57	\$94.93
	6 inch	\$225.33	\$275.76
	per bill	\$6.27	\$7.67
Private Fire Protection			
	2 inch	\$7.66	\$9.37
	3 inch	\$7.66	\$9.37
	4 inch	\$27.17	\$33.24
	6 inch	\$68.82	\$84.22
	8 inch	\$140.74	\$172.24
	10 inch	\$244.92	\$299.73
Minimum/Service Charges *			
Semiannual	5/8	\$22.15	\$27.11
	3/4	\$28.81	\$35.26
	1	\$34.18	\$41.83
	1 1/2	\$58.00	\$70.98
	2	\$78.89	\$96.55
	3	\$106.68	\$130.56
	4	\$158.52	\$194.00
	6	\$274.22	\$335.59
	8	\$475.62	\$582.07
	10	\$680.18	\$832.41
Quarterly	5/8	\$14.21	\$17.39
	3/4	\$17.54	\$21.47
	1	\$20.23	\$24.76
	1 1/2	\$32.13	\$39.32
	2	\$42.58	\$52.11
	3	\$56.48	\$69.12
	4	\$82.40	\$100.84
	6	\$140.25	\$171.64
	8	\$240.98	\$294.91
	10	\$343.22	\$420.04
Metered Rates			
Wholesale	\$/mg	\$1,962.45	\$2,401.67
Retail	\$/100 cu ft	\$1.93	\$2.36

PROOF OF REVENUES

Revenue Category	Size/Use	Number	Rate	Proposed Revenues	Current Revenues	Dollar Increase	Percent Increase
Public Fire Protection							
	4 inch	55	\$94.93	\$5,221	\$4,266	\$955	22.38%
	6 inch	1,492	\$275.76	\$411,434	\$336,192	\$75,242	22.38%
	Bills	3	\$7.67	<u>\$23</u>	<u>\$19</u>	<u>\$4</u>	22.33%
				\$416,678	\$340,478	\$76,201	22.38%
Private Fire Protection							
	2 inch	11	\$9.37	\$412	\$337	\$75	22.32%
	3 inch	5	\$9.37	\$187	\$153	\$34	22.32%
	4 inch	42	\$33.24	\$5,584	\$4,564	1,021	22.36%
	6 inch	78	\$84.22	\$26,277	\$21,472	4,805	22.38%
	8 inch	15	\$172.24	\$10,334	\$8,445	1,890	22.38%
	10 inch	4	\$299.73	<u>\$4,796</u>	<u>\$3,919</u>	<u>877</u>	22.38%
				<u>\$47,591</u>	<u>\$38,889</u>	<u>\$8,702</u>	<u>22.38%</u>
Subtotal Fire Protection				\$464,269	\$379,367	\$84,902	22.38%
Service Charges							
Semiannual	5/8	15,850	\$27.11	\$429,694	\$351,078	\$78,616	22.39%
	3/4	414	\$35.26	\$14,598	\$11,927	2,670	22.39%
	1	288	\$41.83	\$12,047	\$9,844	2,203	22.38%
	1 1/2	2	\$70.98	\$142	\$116	26	22.38%
	2	2	\$96.55	\$193	\$158	35	22.39%
	3	0	\$130.56	\$0	\$0	0	---
	4	0	\$194.00	\$0	\$0	0	---
	6	0	\$335.59	\$0	\$0	0	---
	8	0	\$582.07	\$0	\$0	0	---
	10	0	\$832.41	<u>\$0</u>	<u>\$0</u>	<u>0</u>	---
				\$456,673	\$373,122	\$83,551	
Quarterly	5/8	1,740	\$17.39	\$30,259	\$24,725	\$5,533	22.38%
	3/4	292	\$21.47	\$6,269	\$5,122	1,148	22.41%
	1	896	\$24.76	\$22,185	\$18,126	4,059	22.39%
	1 1/2	248	\$39.32	\$9,751	\$7,968	1,783	22.38%
	2	496	\$52.11	\$25,847	\$21,120	4,727	22.38%
	3	48	\$69.12	\$3,318	\$2,711	607	22.38%
	4	128	\$100.84	\$12,908	\$10,547	2,360	22.38%
	6	264	\$171.64	\$45,313	\$37,026	8,287	22.38%
	8	152	\$294.91	\$44,826	\$36,629	8,197	22.38%
	10	4	\$420.04	<u>\$1,680</u>	<u>\$1,373</u>	<u>307</u>	22.38%
				<u>\$202,355</u>	<u>\$165,347</u>	<u>\$37,008</u>	22.38%
Subtotal Service Charge				\$659,029	\$538,470	\$120,559	22.39%
Metered Rates							
Wholesale	mill gal	0	\$2,401.67	\$0.00	\$0	\$0	---
Retail	100 cu ft	1,771,393	\$2.36	<u>\$4,180,487</u>	<u>\$3,418,788</u>	<u>\$761,699</u>	22.28%
Subtotal Metered Rates				<u>\$4,180,487</u>	<u>\$3,418,788</u>	<u>\$761,699</u>	
Total Rates and Charges				\$5,303,785	\$4,336,625	\$967,160	22.3021%
Misc. Revenues				<u>179,148</u>	<u>177,625</u>	<u>1,523</u>	0.8577%
Grand Total Revenues				\$5,482,933	\$4,514,250	\$968,684	21.4584%
Revenue Required				\$5,486,370			
Difference				-\$3,436	-0.06%		